SEPTEMBER

21

MONDAY

ADVISORY DIARY

- **Bright prospect for the logistics industry**
- **Big money still stood aside**

Bright prospect for the logistics industry

Vietnamese logistics firms face tough competition right on the home ground

Being an indispensable part of any economy, logistics activities bring goods to customers from manufacturers and in opposite guarantees sufficient raw material input for enterprises. However, Vietnamese logistics firms' competitiveness, influenced by both internal and external factors, remains relatively modest.

Internally, most local logistics firms have small operation scale with limited financial and management capability leaving them with the basic provision of 2PL services only, which is the transportation of goods. Meanwhile, FDI and FMCG firms are highly seeking the provision of complete logistics solution such as 3PL at the time being in Vietnam. This package includes not only transportation but also an array of value-added services such as customs, storage, packaging and distributing.

External factors also deter Vietnamese logistics industry to live up to its potential including: (1) public infrastructure (especially road system) is underdeveloped and overwhelmed by the rate of industrialisation, (2) rigid and overlapping customs procedures slow down goods movements, (3) inland waterways transportation has not delivered as its expected role in sharing road system burden, and (4) lack of planning in port services development leading to uneven distribution between supply and demand and (5) importantly the lack of cooperation and operating experience sharing between domestic logistics firms. These are the causes that constrained the Vietnamese logistics sector development and its effectiveness, which in the end pushes up domestic logistics cost.

"Big money still stood aside"

Changes in policies bring positive prospects to domestic logistics industry

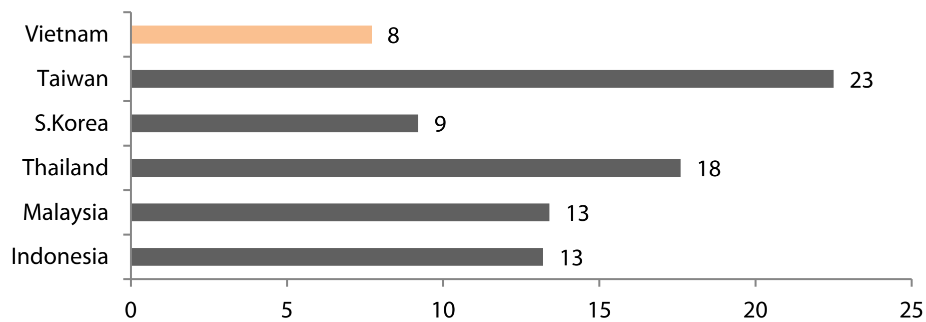
Despite fierce competition from foreign companies, we see much optimism for future development of local logistics firms as the result of: (1) strengthened FDI flows in expectations of the conclusion of the free trade agreements as well as the TPP; (2) better connection between logistics and manufacturing infrastructures; (3) supportive policies from the government; (4) simplified custom procedures.

In the recent two years, a number of important public infrastructure projects have been completed or are in development, for example Long Thanh – Dau Giay, Noi Bai – Lao Cai, Ha Noi – Hai Phong, Ben Luc-Long Thanh Expressway linking, Soai Rap channel dredging project (accessing Hiep Phuoc port) or plan of Thi Vai – Cai Mep dredging project to stimulate operation of Go Dau or Phu My ports. WEF (World Economic Forum) report in 2014 upped Vietnam's public infrastructure quality by 16 places compared to 2012 standing.

Moreover, the Government and the Ministry of Transport have also launched several coordinated policies to support sustainable development of domestic logistics industry such as: (1) truckload control policy in 2Q2014, prioritizing Vietnam ships on domestic routes, drafts to establish port authorities in order to expand and enhance logistics services and Decision No.1037/QD-TTg dated June 24, 2014 on port development, which sets target for the industry until 2020.

At the P/E ralative valuation around 8x, Vietnamese logsitics firms' comparable valuation is well below the regional average (*see chart*). Given the efforts and supporting policies analyzed, we strongly believe in the hidden potential of Vietnam logsitics sector looking forward. Once the effectiveness level starts improving, listed Vietnamese logistics firms would get back to its deserved potential.

Chart: Average P/E of logistics sector in the South East Asian region



Source: Bloomberg and RongViet Research

Regarding public infrastructure development in South Saigon, Soai Rap channel dredging project and the development of transport infrastructure nearby will ease the access to Ho Chi Minh City's Hiep Phuoc Port and revive performances of industrial property developers running along these projects. Last weekend, RongViet analyst had the opportunity to meet and discuss with one of those property developers being **Long Hau Corporation (HSX - LHG).**

Revenue in the first 6 months of 2015 rose by 72% (yoy) due to increase in land leasing area. Profit after tax also reached VND 24.9 billion, comparing to minus VND21.5 billion in the same period of 2014 due to realized loss from the investment in Thanh Thanh Cong JSC (VND 33.4 billion). By the end of June, LHG made provision of VND24.7 billion for the investment in iGreen Technology JSC and Viet Duc Optical Cable and Accessories JSC. In 2015, LHG may have to make further provision for Viet Duc as this company ceased operation. However, this figure could be insignificant.

Sai Gon - Hiep Phuoc port (LHG has invested VND80 billion) has not seen effective performance and still suffered losses in 2014. Despite that, there are many to expect from this port, including: (1) capital raising and expansion, plan to cater bigger vessel after the completion of Soai rap dredging project and (2)the relocation Nha Rong-Khanh Hoi to Hiep Phuoc.

The aggressive liquidation and provisioning during 2014 demonstrated the determination of LHG management to restructure its long-term investment portfolio. Therefore, the financial cost in 2015 could see improvement and expects to have minimal impact on its earnings result. In 2015, LHG set the PAT target of VND36 billion and thee company has completed 72% plan in the 1H2015. Hence, it is likely that the firm would surpass the planned target for the year.

We believe that LHG has a positive prospect over the next few years thanks to the policies from HCM people committee which support the development of infrastructure in this area: (1) South Saigon (Can Gio – Binh Chanh – Nha Be) will be specified as the special economic zone, (2) Sai Gon – Hiep Phuoc urban area has been focused to develop (dredging Soai Rap, expansion the Sai Gon – Hiep Phuoc seaport, construction of the habor entrance and Nguyen Huy Tho – Nguyen Van Linh intersection), (3) the construction of Ben Luc – Long Thanh Expressway.

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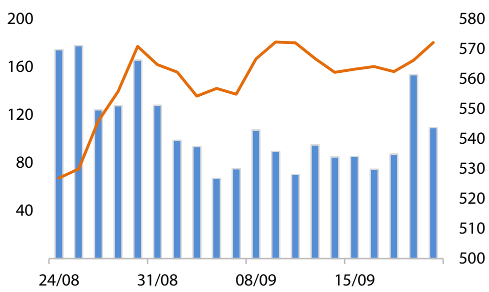
Big money still stood aside

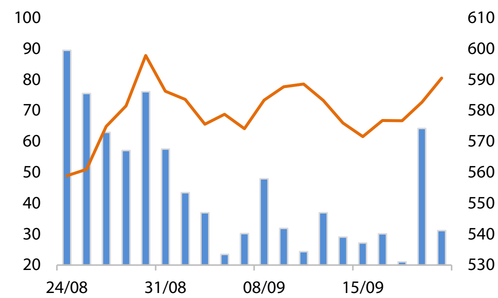
The trading session early this week saw slight improvement on the broad scale with VN-Index and HN-Index gaining respectively 1.04% and 0.41% as they closed. The liquidity in both markets saw little improvement in terms of total trading vale and stocks number changed hands. Market analyst from RongViet Research believed that markets' development this week could experience slight gain with supporting pillar continuing to be financial groups. However, the concern about FED's hiking rate with other macro factors (China's deflation, crude prices) have been largely discounted into markets. Therefore, the investor capital could flow "bottom-up" based on good fundamental companies and having positive growth prospects in the last 6 months of 2015. Other supporting information during today session could be the "confirmation" from the State Bank to maintain the VND/USD exchange rate by selling foreign currencies to stabilize market even though FED could increase the rate later this year.

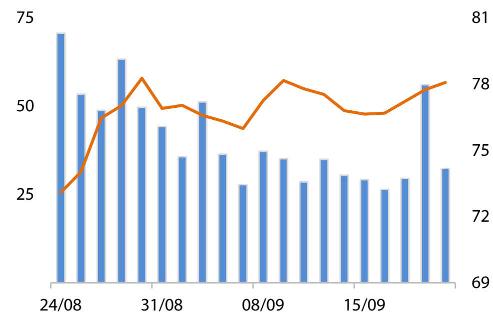
Mobile World Investment Corporation JSC (HSX-MWG), one of the fast-growing forecast stocks in the last 6 months, received quite positive reaction after the announcement of 8-month earnings 2015. Specifically, revenues and profit after tax was VND15 157 billion and VND644 billion, respectively up 60% and 51% over the same period last year. In particular, the revenue of **Thegioididong** segment reached VND12,693 billion, up 56% over the same period last year. The key contribution to the growth of MWG was the chain store opened before 2015, especially 123 stores established in 2014. Meanwhile, the **Dienmayxanh's** revenue recorded an increase of 83% thanks to 18 new stores launched in the first 8 months of 2015 (MWG now owns the total 36 Dienmayxanh stores).

If continuing the current growth, we believe that MWG is likely to accomplish its 2015's revenue and NPAT guidance. At today's closing price of VND63.500, MWG is currently trading at a forward PE in 2015 of about 9.1x. However, we still concern about the market movement of MWG shares in recent months. During the past 6 months, this stock often rise when the earnings unveiled or FOL lifting eigners but could not maintain its momentum due to profit taking activities and low domestic liquidity. However, the highlight of this plunge is that it had the strong demand from domestic investors. Therefore, if the liquidity could be maintained in next sessions, investors may consider accumulating this stock.

VNINDEX	1.04%	572.12	VN30	1.33%	590.46	HNXINDEX	0.41%	78.07

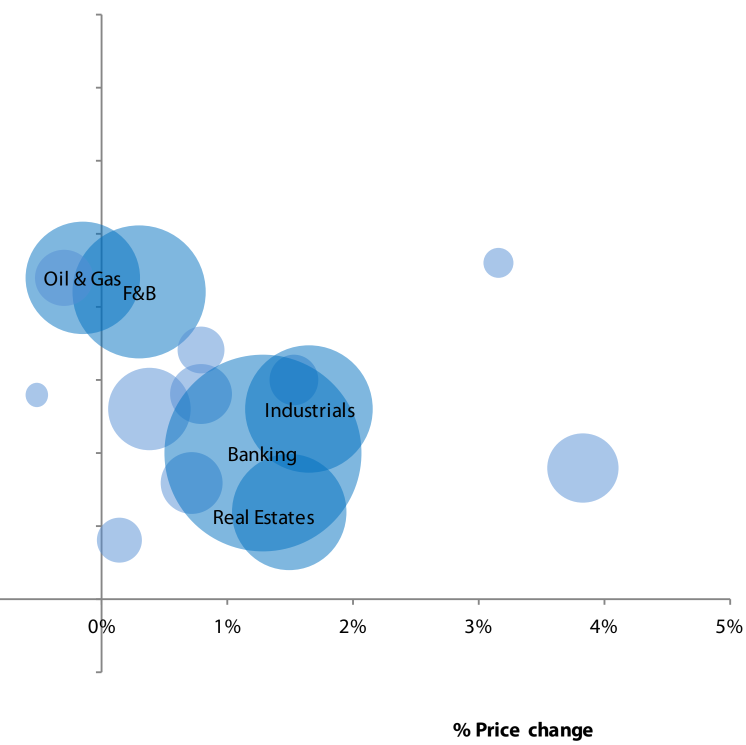




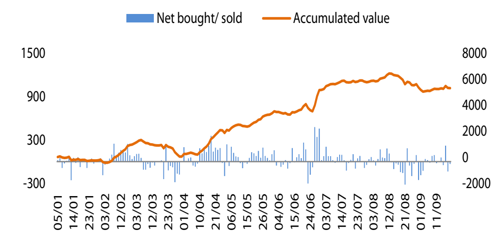


Industry Movement

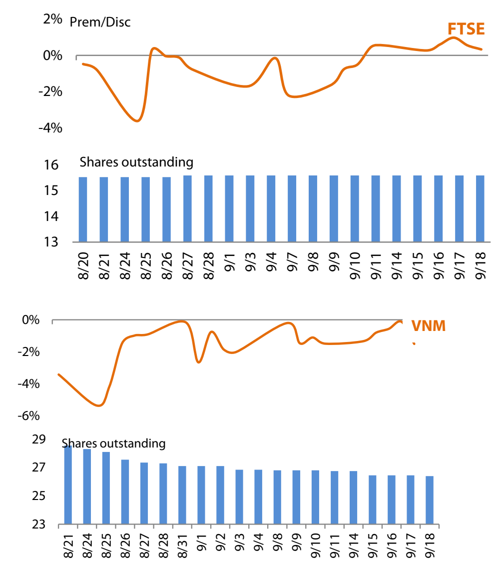
Industry	% change
Technologies	1.5%
Industrials	1.7%
Constructions	0.4%
Oil & Gas	-0.2%
Distribution	-0.5%
F&B	0.3%
Household Goods	0.8%
Cars & Parts	3.2%
Chemicals	0.8%
Resources	0.1%
Insurances	3.8%
Real Estates	1.5%
Financials	0.7%
Banking	1.3%
Utilities	-0.3%
Healthcare	-1.0%



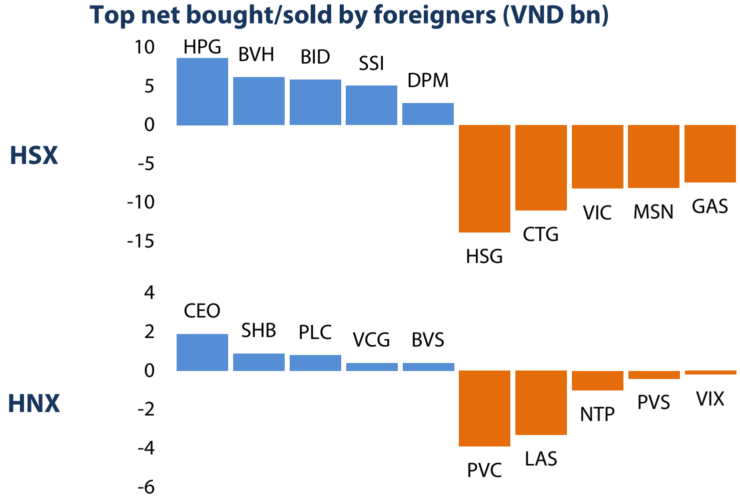
Foreign Investors Trading



ETF



Top net bought/sold by foreigners (VND bn)



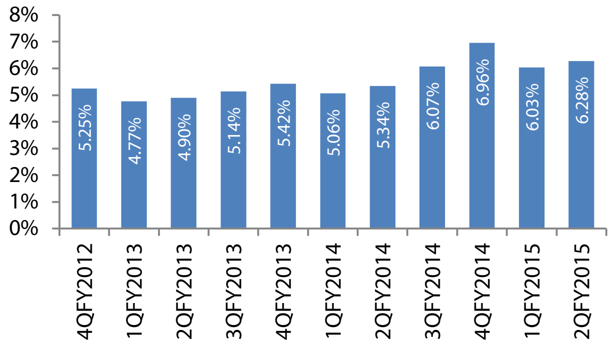
Top Active

Ticker	Price	Volume	% price change
VHG	8.3	7.93	2.5%
MBB	15.3	5.14	2.7%
SBT	13.9	3.89	0.7%
CII	23.1	3.80	3.1%
GTN	12.4	2.89	6.0%

Ticker	Price	Volume	% price change
VCG	11.7	3.06	4.5%
TIG	10.8	2.41	0.0%
SCR	7.8	2.12	-1.3%
VIX	8.6	1.87	2.4%
NDN	14.2	1.70	2.9%

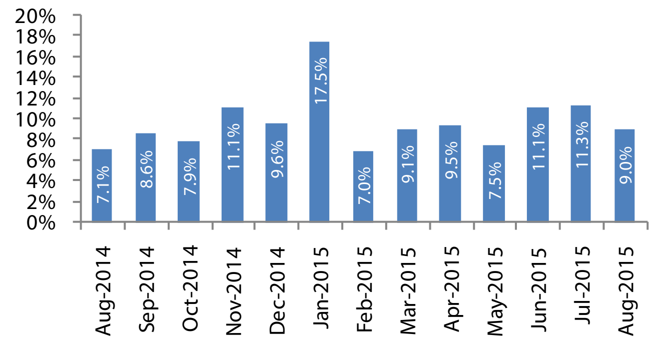
MACRO WATCH

Graph 1: GDP Growth



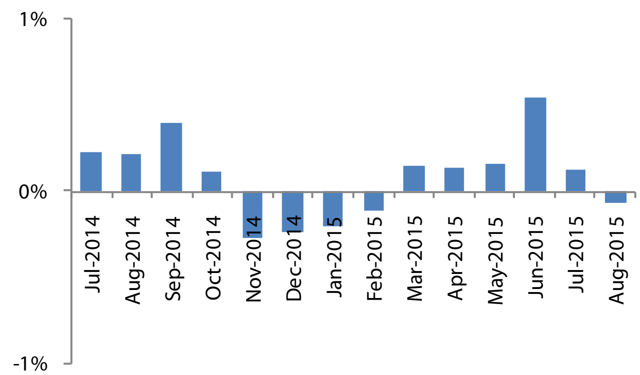
Sources: GSO. Rongviet Securities database
(*) Comparision price in 1994

Graph 2: IIP



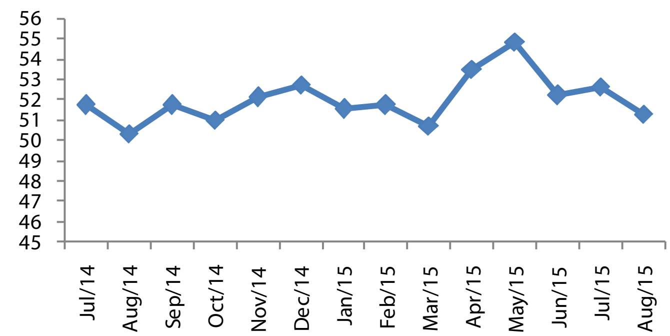
Sources: GSO. Rongviet Securities database

Graph 3: Monthly CPI



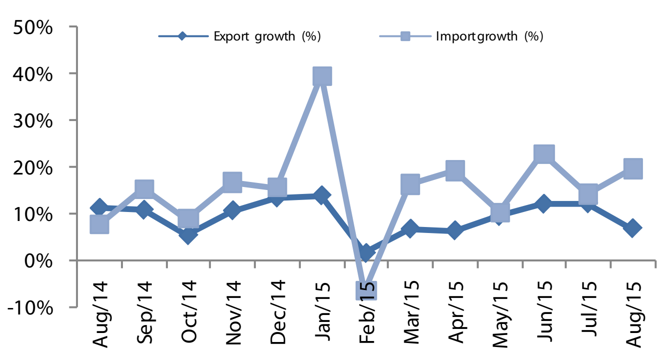
Sources: GSO. Rongviet Securities database

Graph 4: HSBC - PMI



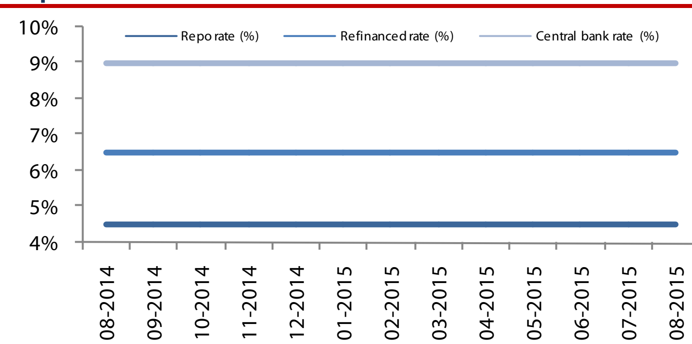
Sources: GSO. Rongviet Securities database

Graph 5: Trade Growth



Sources: GSO. Rongviet Securities database

Graph 6: Interest



Sources: SBV. Rongviet Securities database

RONG VIET NEWS

COMPANY REPORTS	Issued Date	Recommend	Target Price
PXS - Invest to strengthen construction capacity	Sept, 4th 2015	Accumulate - Intermediate	17,000
SHP - Positive over long-term	Sept, 3rd 2015	Accumulate - Intermediate	20,800
PET - Tracking the progress of Thanh Da land plot transfer	Aug, 20th 2015	Stable	N/a
VNC - Embrace the new wave of international commerce	Aug, 14th 2015	Neutral – Long term	28,900
MAC – Bigger Propellers, further waters	Aug, 7th 2015	Buy – Long term	17,600

Please find more information at http://www.vdsc.com.vn/en/companyReport.rv?categoryId=302

FUND CERTIFICATION INFORMATION

Fund name	Trading Day	Subscription Fee (% of trading value)	Redemption Fee (% of trading value)	NAV per unit at valuation date	NAV per unit last valuation date	Change in NAV
VFF	08/09/2015	0% - 0.75%	0% - 2.5%	11,844	11,861	-0.14%
VEOF	08/09/2015	0% - 0.75%	0% - 2.5%	9,791	9,874	-0.84%
VF1	11/09/2015	0.2% - 1%	0.5%-1.5%	22,509	22,496	0.06%
VF4	11/09/2015	0.2% - 1%	0%-1.5%	10,037	10,024	0.12%
VFA	11/09/2015	0.2% - 1%	0%-1.5%	7,100	7,032	0.97%
VFB	11/09/2015	0.3% - 0.6%	0%-1%	12,313	12,303	0.08%
ENF	04/09/2015	0% - 3%	0%	11,207	11,297	-0.80%
MBVF	27/08/2015	1%	0%-1%	10,416	10,364	0.50%
MBBF	03/09/2015	0%-0.5%	0%-1%	12,328	12,304	0.20%

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